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ADOPTION OF THE REPORT OF THE BUDGETARY AND FINANCE COMMITTEE TO THE GOVERNING COUNCIL

Draft report of the Budgetary and Finance Committee

Rapporteur: Ms. Heather DOWSETT (New Zealand)

CHAPTER III. Financial, budgetary and administrative matters

B. Revised budget estimates for 1992-1993

1. For its consideration of agenda item 3 (b), the Budgetary and Finance Committee had before it the following documents:

Revised budget estimates for the biennium 1992-1993 (DP/1992/40);

Report of the Advisory Committee on Administrative and Budgetary Questions (DP/1992/39).

2. The Assistant Administrator, Bureau for Finance and Administration, introduced the item by citing examples of the exciting new challenges before the United Nations system as a whole. These included critical contributions to emergency operations; UNDP's role in the electoral process in a number of countries; UNDP's role in reconstruction efforts; and the contributions being made throughout the world to the preparations of the Earth Summit.

3. It was against this background that the real cost of UNDP's global field network had to be assessed. UNDP would have been remiss in its duties if it had not brought to the Governing Council's attention the need to weigh the costs associated with performing these broader functions against the impact on the effectiveness of the system of not performing them at all. This consideration formed the basis for the Administrator's 1994-1995 budget strategy.

4. With regard to volume adjustments, the Administrator proposed an extension through the end of the biennium of the arrangements approved by the Governing Council in 1991 for the Humanitarian Programme. The Council approved one D-2 post and one P-5 post to be funded from the core budget through June 1992. UNDP had a vital role to play in supporting the Under-Secretary-General for Humanitarian Affairs, with whom the Administrator had consulted closely. The maintenance of existing arrangements in New York through the biennium would provide critical support to the United Nations.

5. The 1994-1995 budget strategy was based on the distinction between the continued commitment to contain core budgetary growth in line with overall core resources and the need to identify clearly those costs borne by UNDP not related to the delivery of the indicative planning figure (IPF).

6. The Administrator's strategy relating to core cost containment was based on three elements:

(a) The rationalization of business functions;

(b) Increasing the cost-effectiveness of business functions;

(c) Proposals relating to the human resource aspects of the management of change.

7. The Administrator had established a budget reduction target for the core 1994-1995 budget of some $30 to $40 million. Achieving the target would be painful but necessary.

8. A policy of budgetary discipline with regard to the core budget in relation to the delivery of the programme could not be viewed in isolation. No such discipline existed regarding the mandates and responsibilities placed on UNDP field offices. Such a discipline did not exist and should not exist because using the UNDP field office network was the most cost-effective mechanism for the United Nations system as a whole. However, UNDP could not be financially penalized for undertaking its coordination role and related functions. Moreover, the voluntary character of UNDP funding had to be

recognized in that connection. It was for those reasons that UNDP was proposing to identify separately for the consideration of the Governing Council those costs relating to non-IPF workload.

9. Regarding the Office for Project Services (OPS), the Assistant Administrator believed the analysis provided in the document demonstrated that UNDP had exercised a policy of budgetary restraint despite substantial growth in the programme. The rate of growth of the programme remained significantly higher than that of the budget. More specifically, total budgetary expenditure remained substantially lower than income earned. The Administrator's policy relating to OPS budgetary growth remained one of overall prudence. The acceptance of new projects was in conformity with the new project acceptance policy of OPS. Income was not a justification as such for the establishment of posts. However, it must be recognized that income was earned as a result of programme activity and programme activity necessarily involved workload. Finally, on the subject of OPS, the Assistant Administrator stressed the importance attached to the proposals amounting to $1.4 million relating to project management information requirements.

Summary of discussions in the Committee

10. Several delegations took note of the cost adjustments reflected in the proposed revised budget estimates. Many delegations expressed support for the continuation of the arrangements provided for in Governing Council decision 91/46 relating to the Humanitarian Programme until the end of the biennium. One delegation asked whether it would not be more appropriate to strengthen selected field offices to cary out more effectively programmes in the countries concerned.

11. Many delegations considered that the arrangements relating to the Humanitarian Programme should be maintained on a temporary basis pending the overall review to be undertaken by the Under-Secretary-General for Humanitarian Affairs. Several delegations questioned whether the Humanitarian Programme was any longer required, particularly in view of the developments in the United Nations. They considered that further justification was required to maintain existing arrangements. In particular, they questioned the need for the continuation of the senior post at the D-2 level.

12. All delegations welcomed the 1994-1995 budget strategy presented by the Administrator. A number of delegations stressed that the measures being proposed were a step in the right direction. Several delegations stressed the

need to reduce the ratio of General Service to Professional posts. A number of delegations welcomed the objective of achieving savings through the introduction and full utilization of more productive technologies.

13. Under the rationalization of business functions, one delegation sought further clarification of paragraph 21 (d) of document DP/1992/40 concerning the consolidation of programme management in the field. Most delegations welcomed the regional service concept. Several delegations stressed the need to avoid the creation of any additional bureaucratic layers, in particular in the decision-making process. One delegation noted the need to consider the establishment of regional service centres on a case-by-case basis in order to ensure that the objective of cost efficiency was achieved in each case. A number of delegations requested additional information on the financial implications of the different measures being proposed. Clarification was also sought on the distinction between the concept of regional service centres in the budget strategy and the concept as it related to the regional service centres proposed for the Commonwealth of Independent States.

14. Several delegations emphasized the importance of achieving savings in the high-cost offices. Various delegations stressed the need for the distribution of resources covering field offices to reflect the distribution of programme resources approved in decision 90/34 of 23 June 1990.

15. Many delegations addressed issues related to the Administrator's proposals regarding short-term, non-permanent contracts and reclassifications in the P-1 to P-5 categories. Most delegations stressed the importance of common system approaches to these issues and strongly endorsed the remarks of the Advisory Committee on Administrative and Budgetary Questions (ACABQ) in this regard. A number of delegations supported the Administrator's proposals regarding short-term contracts on a pilot basis, bearing in mind the Administrator's overall budgetary strategy. Delegations noted that consultations with the International Civil Service Commission (ICSC) and in inter-agency forums had taken place and stressed the need for them to continue. Delegations emphasized the need for full reporting and transparency. One delegation requested the Administrator to provide information on contract length as well as on overall person months and total dollar value.

16. Regarding reclassification, delegations noted that the proposal had no financial implications but nevertheless expressed concern about the

possibility of grade creep. Overall, delegations again emphasized the need for common system-wide approaches, a number supporting the ACABQ recommendation that a decision be deferred until the General Assembly had considered the Secretary-General's report on posts, to be submitted to the General Assembly at its forty-seventh session.

17. One delegation stressed the need to streamline the senior-level posts at headquarters and requested the Administrator to submit a plan to reduce the number of such posts. The same delegation raised an issue relating to the practice of hiring consultants in New York with a remuneration similar to or higher than that of a D-2. He asked the Administrator to provide relevant information including the number of consultants and the duration and nature of the services provided. He requested that UNDP hold informal consultations on the question with interested delegations.

18. Many delegations supported the Administrator's proposals regarding increasing transparency relating to non-IPF workload in field offices. Several delegations requested the Administrator, in line with decision 91/46, to provide an analysis in 1993 of possible sources of financing for services provided by UNDP. A number of delegations expressed the view that UNDP should continue to fund those activities. One delegation requested detailed information regarding the nature of the services provided. Another delegation stressed the importance of streamlining and rationalizing the workload not related to the delivery of the IPF programme.

19. Many delegations took note of the proposed post increases in OPS and of the fact that the bulk of them were to be funded through extrabudgetary resources. One delegation asked about strategies (a) to increase the proportion of women used by OPS as international experts and consultants and in professional grades and (b) to increase the proportion of women taking up training awards.

20. Several delegations expressed agreement that OPS must be given, within its income, the tools to respond effectively to the demands placed upon it. Several delegations supported the Administrator's request for an additional $1.4 million for improvements in management information systems. One delegation sought clarification regarding the apportionment of costs for management information systems between budgetary and extrabudgetary funds.

21. On the other hand, several delegations noted with concern the continued growth of OPS. One delegation expressed concern at the volume increases in an

off-budget year which, as a matter of principle, should not be accepted. Reference was made, in that regard, to a corresponding decision in the United Nations Children's Fund (UNICEF).

22. Several delegations considered that the review submitted by the Administrator on the role of OPS, requested by the Governing Council in 1991, appeared inadequate. One representative requested a more detailed review of the role of OPS in the context of a restructured system of operational activities.

23. A number of delegations took note of the Administrator's proposals relating to the Inter-Agency Procurement Services Office (IAPSO). Several delegations expressed the need for a more concerted effort to be made to achieve savings through the merger of the administrative and other functions of the funds. They indicated that the subject should be kept under review.

Response of the Administration

24. The Administration stressed the close cooperation being pursued between the new office of the Under-Secretary-General for Humanitarian Affairs and the UNDP Humanitarian Programme. It explained the importance of the role the Humanitarian Programme could play during the existing transition period. It also noted the critical role envisaged for Resident Coordinators and the importance of the emergency to development continuum, as reflected in General Assembly resolution 46/182.

25. The Administration provided a number of clarifications regarding the proposed 1994-1995 budget strategy. The reference made in paragraph 21 (d) of document DP/1992/40 to the consolidation of programme activities related to the administrative implications of the adoption of the programme approach. On regional service centres, the Administration explained that there was no intention of introducing a new bureaucratic layer, and that the objective was to achieve better outreach and increased cost-effectiveness. The Administration further explained that the concept in general related to decentralizing from headquarters, but in the case of the Commonwealth of Independent States, the concept was to regionalize the provision of administrative services.

26. Regarding the proposals for short-term contracts, the Administration expressed full support for the view that these matters must be dealt with in consultation with ICSC and in inter-agency forums. The Administration reiterated that the person months and dollar value of proposed contracts by

organizational unit would be included in the 1994-1995 budget estimates. It also noted that the new contracts would be reviewed by the United Nations Office for Legal Affairs.

27. Regarding reclassification, the Administration stressed that the proposal had no financial implications. The proposal was required as a management tool to form an integral part of the budget strategy. The Administration noted that the reviews undertaken over the last few years in field offices had led overall to a reduction in the level of posts. It further noted that reclassification would be undertaken in the context of structured reviews and would be consistent with common system approvals. It stated that the Committee would be provided with a performance report that would enable it to make a clear assessment as to the way in which any delegated authority had been used.

28. On the hiring of consultants in New York, the Administration agreed to provide interested delegations with the information requested and said that UNDP would hold informal consultations with interested delegations.

29. Responding to specific issues raised in relation to OPS, IAPSO and the Funds, the Administration stated with regard to OPS that a distinction had long been observed between core budgetary requirements and the needs of an implementing agency which had to be programme driven. That was why, for the last 10 years, OPS had been delegated the authority to approve posts within income. The Assistant Administrator, OPS, took note of the comments related to the employment of women and undertook to continue the efforts made to improve performance in that regard. The Administration undertook, as requested, to keep in mind the possibility of savings from the merger of the administrative functions of the Funds under review.